GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:126
ANSWERED ON:02.03.2001
TALWAR COMMITTEE REPORT ON WEAK BANKS
SHIVAJI MANE

Will the Minister of FINANCE be pleased to state:

(a) whether the Talwar Panel has submitted its report on weak banks;

(b) if so, the details of the suggestions/recommendations made by the panel;

(c) whether these recommendations have been examined by the Government; and

(d) if so, the details thereof with the action taken thereon ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (d) A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE LOK SABHA STARRED QUESTION NO. 126 SUBMITTED FOR ORAL REPLY ON 2ND MARCH,2001 TABLED BY SHRI SHIVAJI MANE, M.P.

(a) Yes, Sir.

(b) The High Level Group under Shri S P Talwar, Dy Governor, RBI, which examined the restructuring plans of three weak nationalized banks considered the various options and concluded that options like closure, merger, privatization, management lease and narrow banking are not appropriate/feasible and restructuring of the weak banks with requisite capital infusion by the Govt. of India is the best alternative for turn-around of the three weak nationalized banks.

It recommended recapitalisation assistance of Rs.2300 crores over two years for the three weak banks to enable them to achieve/maintain prescribed capital adequacy ratio. The Group has recommended strong conditionalities including signing of Memorandum of Understanding between Govt. of India and the banks and signing of agreements between banks` management and the officers association/workmen union to ensure the commitment expected from the management and the staff. The Group has also recommended setting up of a Monitoring Committee. The financial assistance is to be provided in two phases, the second phase assistance being dependent on the achievement of prescribed milestones.

The proposed comprehensive restructuring plans of the three weak banks contain financial as well as non financial parameters including reduction in cost of deposits, acceleration of NPA recovery, reduction in overhead costs and operating expenses, rationalization of branch network, hiving off of unprofitable subsidiaries, closure of unviable overseas operations, growth of non-fund business, better cash management, optimum redeployment of staff, technology upgradation, image building and proper succession planning etc.

(c) & (d) The recommendations of the Group are under examination of the Government.